



August 26, 2004

Docket No. 03-IEP-01, 02-REN-1038,
03-RPS-1078, and 04-DIST-GEN-1
NOTICE OF JOINT COMMITTEE
WORKSHOP AND WHITE PAPER
AVAILABILITY RE: Accelerated
Renewable Energy Development
Draft Staff White Paper

In the matter of Information Proceeding and)
Preparation of the 2004 Integrated Energy) Docket No. 03-IEP-01
Policy Report Update (2004 Energy Report)
Update)

Comments on Accelerated Renewable
Energy Development Draft Staff White Paper

Dear Commissioners Geesman and Boyd:

GenSelf Corporation appreciates the opportunity to comment on these critical proceedings.

Background: GenSelf Corporation is a Solar Photovoltaic retailer whose customers participate in the Commission's Emerging Renewables Program and the CPUC's Self-Generation Incentive Program. GenSelf is exclusively a solar power company and has created fifteen new full time jobs since its inception in 2002. GenSelf has installed approximately 100 solar PV systems, totaling more than 700kW of peak capacity, ranking it as one of the leading solar PV companies in California. GenSelf has experience with both retrofit and new home PV installations.

General Comments: GenSelf Corporation owes a significant portion of its success to the significant incentive programs California has offered solar PV purchasers over the last few years. The solar movement owes a great deal of its success to operations such as GenSelf, who take it upon themselves to make significant investments in building businesses whose mission is to get this important technology and its benefits into the hands of the consumer. GenSelf, and companies like it, are poised to make additional significant investments which can help California achieve its renewable energy goals, provided a reasonable economic model exists for customers, retailers and suppliers going forward. At this time, the existence of incentives allows for this, as evidenced by the remarkable boom in the solar industry. It is imperative that all regulatory, legislative and business interests come together to establish a viable incentive program going forward and to have it in place before current incentive programs run out of funding.

Continuity of a solar incentive program is necessary to keep the industry's momentum going forward, and to protect the significant investments GenSelf and others have made to solar, the benefits of which everyone enjoys. Any block-out period would serve to crush momentum and call into question, again, the viability of investing into the building of a solar enterprise.



Specific Proposals

- GenSelf supports the establishment of a ten year declining subsidy incentive period, designed to track downward the installed for residential retrofits, cost of solar PV so that the “after subsidy, out of pocket “ cost for solar PV remains about the same throughout the ten year period. For example, today’s average price of \$9.00 per AC watt installed results in a \$5.55 net cost after a \$3.00 cash rebate and a tax incentive of .45 per watt (7.5% of \$6.00). This price creates an acceptable economic model for many residential and commercial consumers. It is possible that a \$5.50 per watt-installed cost (for retrofits) can be achieved without subsidy by 2014. The CAL-SEIA proposal for a ten-year declining rebate, starting with \$2.88 per AC watt in 2005 and declining to \$.82 in 2014 is the most workable plan we have seen, and GenSelf supports it.
- GenSelf agrees that a fundamental shift to performance based incentives versus a capital cost buy down is preferable to virtually all parties to these proceedings, including GenSelf. However, it would be inappropriate to rush to judgment on a new approach before it has been tested with real consumers. In light of the myriad questions and details to be resolved before a “pay by the kWh as you go” program could be agreed to, GenSelf does not believe enough time exists to perfect the system prior to current funding running out. **It is far more important that the industry avoid any blackout period vs. the need to shift program styles by January 2005.** Therefore, GenSelf proposes a two-year minimum reallocation of funding under current program designs at the Commission, to allow sufficient time to research, test and monitor a performance based pilot program, whose results can guide the establishment of new incentive mechanisms, if appropriate by 2007.

GenSelf offers two ideas concerning performance-based incentives:

- 1) Using the first year’s kWh production as a proxy for determining production over the life of a PV system, a one time cash rebate could be paid when the customer provides metered proof of kWh production after 12 months in service. For example: A 10 kW AC PV system will produce approximately 20,000 kWh in a year. A payment of \$1.50 per kWh would be a \$30,000 payment. Currently, a \$3.00 per watt rebate on a 10kW system would be the exact same amount. The difference is that the poorly designed and installed system, which produce less than 20,000 kWh, would get less money, thereby incentivising all parties to maximize production. This idea would eliminate the need to convince customers that the political, economic and utility environments are stable enough to ensure kWh payouts over 20-30 years. Given the fresh memories of blackouts, budget crisis, utility bankruptcies, etc., that would be a difficult sale.
- In the event that a long-term per kWh program is established, GenSelf proposes a \$.25 per kWh payment for a period of 25 years. Using the 10kW system from the example above, the .25 per kWh would provide an annual payment of \$5,000 on 20,000 kWh. The value of reducing consumption by 20,000 kWh, at \$.15 per kWh is \$3,000, resulting in \$8,000 in direct economic benefit per year. At a \$9.00 per watt-installed cost, the system would retail for \$90,000. On a cash purchase, the customer would achieve a payback in 11.25 years. Should the customer borrow the \$90,000, the payment on a 25-year, 90,000 loan at 7% is \$636.10, or \$7,633 per year. This results in a net positive



cash flow, plus tax benefits on mortgage interest, if applicable, for the consumer. Once again, the difficulty lies in the customer having confidence the system will be there for him as time goes by. A segregated fund controlled by an independent trustee could alleviate concerns.

- GenSelf supports the proposed increase in the public goods charge to provide funding for a ten-year Solar PV plan. A fee increase of only \$.25 to \$.30 per average monthly bill seems well worth the social benefits.
- GenSelf supports new home solar incentives vs. mandates. Either way, the key ingredient is an incentive program separate from the retrofit market programs. Mandates without incentives and funding would have a detrimental impact on the existing solar industry. GenSelf supports CAL SEIA's plan for separate incentive programs for new home construction.
- GenSelf supports a solar PV incentive program built with these key ingredients:
 - A ten-year time period.
 - A secure, stable source of funding.
 - Clear, simple structure and guidelines.
 - An economic model designed to appeal to the broadest array of customers.
 - Adoption of a program in time, in whatever fashion necessary, to prevent a "blackout" period.
- GenSelf supports raising the Net Metering caps to accommodate growth in grid-connected solar PV.
- GenSelf supports expansion of the Solar Rights Act to include all permitting authorities, not just homeowners associations.
- Prior to establishing performance-based incentives, the following issues, at a minimum, need to be discussed and resolved:
 - 1) Will the incentive be paid out over the life of the system? If so, what assurance will the customer have of timely and complete payment for the entire time frame?
 - 2) How will production be monitored and measured? Who will pay for it?
 - 3) Will the incentive be straight line or declining? What is the appropriate amount of incentive?
 - 4) Will the system connect on the property or utility side of meter?
 - 5) Which specific pieces of equipment for monitoring, measuring and reporting, will be approved?
- GenSelf believes new Renewable Distributed Generation, including solar PV should be counted towards Renewable Portfolio Standards Goals for the utility whose service territory the installation is placed within. However, the entity that actually invests in and owns the PV system should retain ownership and marketing rights to any Renewable Energy Credits created by the system's output.



- GenSelf supports the establishment of Revolving Solar Loan Fund to provide low interest loans for solar PV systems on a self-perpetuating basis.
- GenSelf believes net-metered solar PV systems on TOU (time of use) same rates it would be otherwise be charged based on the tariff applicable at the time solar power is fed into the grid.
- Separately, GenSelf has reviewed the language of Senate Bill 1652, the “Murray Bill”, as amended, and supports the general themes of its current language. However, it is important to note that with the current burn rate of approximately \$10,000,000 per month for just small PV system rebates the proposed \$100,000,000 per year of funding contemplated by the bill, would actually shrink the solar business from its current level, unless this funding is in addition to current fundings. As CAL SEIA clearly indicates in its projections, several billion dollars will be needed to adequately fund separate programs for small retrofits (below 30kW), large retrofits (over 30 kW), new construction, solar thermal and energy efficiency. As previously stated, Gen Self supports CAL SEIA’s proposed \$5.6 billion comprehensive, ten year program.

GenSelf submits these comments and ideas for your review and welcomes any contact from the Commission on other stakeholders regarding this filing. Thank you.

Sincerely,

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